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UNCLAS SECTION 01 OF 02 MADRID 001113

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E.O. 12958: N/A
TAGS: [PREL](#) [ETTC](#) [SP](#)
SUBJECT: SPAIN: EMBASSY REQUEST FOR DEPARTMENT ASSISTANCE
IN RESOLVING TECHNICAL DISAGREEMENT SLOWING MAJOR DEFENSE
TRADE DEAL

REF: A. MADRID 296

- [1](#)B. SECSTATE 77110
- [1](#)C. SUCHAN-LLORENS PHONECON 5/9/07

[1](#)1. (U) Please see Action Request in paragraph six.

[1](#)2. (SBU) SUMMARY: A \$1.2 billion frigate construction program involving Spain, Norway, and Lockheed Martin has been on hold for months because of a technical disagreement between Spanish MOD and USG regarding a signature on an export control form. To help resolve this issue, post requests that the USG's lead office, State/PM's Directorate of Defense Trade Controls (DDTC), substantively engage its MOD counterparts at the technical level. Our concern is that failure to resolve this technical disagreement could be prejudicial to US defense and trade interests with Spain and other European countries and could jeopardize future cooperation. END SUMMARY.

[1](#)3. (SBU) Spanish shipbuilder Navantia and Lockheed Martin are building frigates, based on Spain's advanced F-100 design and incorporating US AEGIS weapons system technology, for Norway. An existing Technical Assistance Agreement between Navantia and Lockheed Martin must be amended because of a corporate name change. A Spanish official had erroneously signed an earlier version of that document, but MOD says that person had no authority to sign on behalf of the GOS. Furthermore, MOD says that it is unable to sign USG form DSP-83 because a 2004 Spanish law limits the Spanish National Armaments Director from signing any form other than Spain's own end-use certificate.

[1](#)4. (SBU) Post requested in February (ref A) that DDTC review both the disagreement holding up the frigate program and the larger issues involved in MOD's inability to satisfy all of the USG's requirements. Post proposed that DDTC technical experts meet with their Spanish counterparts during an annual bilateral defense industrial cooperation review in Madrid in May in which DDTC has been a regular participant. Post was surprised that, after scheduling conflicts prevented DDTC from attending the May meeting, we received a demarche instruction cable in the guise of a Blue Lantern (ref B), tasking Post to once again explain the current USG position to MOD. Based on high-level consultations several weeks ago (ref C), Post had expected that DDTC would send technical experts to Madrid for discussions as soon as possible before we received formal instructions.

-- COMMENT --

15. (SBU) Spain is a NATO ally whose defense priorities align closely with the US. Spain is also a major Foreign Military Sales customer that has recently spent approximately \$1.5 billion on AEGIS for its own frigates, in addition to purchasing other weapons systems including Tomahawk missiles.

MOD just announced that it will buy \$100-200 million of General Electric engines for its helicopter fleet. The Spanish Navy and Air Force have expressed intent to purchase (via FMS) the Joint Strike Fighter. MOD officials have told the DCM that they need to resolve the present impasse over the Norway frigate program in a way that meets US export control requirements and Spanish law, that their letters to DDTC have not brought results, and that they were disappointed by DDTC's failure to participate in the recent bilateral defense cooperation meeting. The frigate construction program, on its own merits, needs to move forward before the delay affects not only relations with Spain and Norway but also clouds potential additional sales of the Spanish frigates to other key allies including Australia and Greece. At the same time, the broader disagreement between MOD and USG over signature authority needs to be reviewed to ensure that it does not taint the overall defense industrial cooperation. Post understands that France has already raised this case with the Spanish Deputy Defense Minister as an example of why it is not in Spain's interest to do business with the US.

-- ACTION REQUEST --

16. (U) Post requests that the Department put ref B demarche request on hold and that DDTC send technical staff with the expertise and authority to craft a win/win solution to Madrid

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for discussions with their MOD counterparts.
AGUIRRE